

FINAL TRANSCRIPT

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PFE - Pfizer at Credit Suisse Group Healthcare Conference

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PRESENTATION

Catherine Arnold - *Credit Suisse - Analyst*

(call already in progress) excellent story for us to begin to shape our views of the healthcare sector throughout the course of this week and with the many presentations.

As you know, post the Wyeth acquisition, Pfizer adopted a strategy of increased diversification. But even with that, it is easy to argue that the Company's DNA is strongest in primary care.

That's why it's a great pleasure to welcome Olivier Brandicourt who is Pfizer's President and Global Manager of its Primary Care business along with Suzanne Harnett.

So as a housekeeping item, there will not be a breakout session, so when we get to questions, please pose them here. And with that, thanks to Olivier.

Olivier Brandicourt - *Pfizer - President and Global Manager, Primary Care*

Thank you very much, Catherine. Good morning everyone and thank you to Credit Suisse for this opportunity to share an update on our primary care business.

So before I begin -- please note the forward-looking statements and the non-GAAP information contained on this slide. And my intention today is to provide a brief overview of the Pfizer Primary Care business unit, discuss the global primary care market and discuss also how we have structured our business to optimize our share in this market which is very, very fast moving.

And I will conclude with a very quick review of our performance around the world. So Primary Care is one of the nine Pfizer business units. It's the largest unit today. It represents about one-third of the total Company revenues which includes products that Pfizer is very well known for.

So it's Lipitor, it's Viagra, it's Celebrex, it's Lyrica (inaudible) and two alliance products, Aricept and Spiriva.

And as you know, many of those products, we lose exclusivity in the coming years. Of course the most significant is Lipitor which loses exclusivity in the US in a year from now.

So business unit structure and the acquisition of Wyeth have all been part of preparing for these events and adapting to the change of the marketplace. So I have the job of managing these LOEs while at the same time defining how the primary care business will look like in the future. So for our discussion here today, primary care will be confined to the developed markets.

Pfizer leads in primary care with \$22.5 billion in 2009 revenues and while the overall market is shrinking due to the increased use of generics. It is important to remember however that the branded primary care market will remain significant and we are estimating it at \$125 billion in 2015.



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This market will be fueled by differentiated medicines in areas which are not satisfied by generics today. So that could be Alzheimer's, dementia, diabetes.

And overall we are estimating that there are 1400 primary care molecules in development across the industry today. However, if you want to be a big player in primary care, you need to do more. You need to ensure that those differentiated medicines are actually driving outcomes and that cuts to the core of the way this marketplace is currently changing.

So primary care is one of the most important and complicated environments in healthcare today. Its importance comes from being one of the few healthcare settings where at the macro level, it's been proven possible to reduce the overall cost and at the same time, improve the quality of care that's being delivered.

It's complex because the transformation is happening at different rates in different places and new influences are merging. So in many cases, there is no one clear decision-maker.

On the left of this slide, you have the traditional model where the doctor is at the center. It is the [way he choose] to be and there are still some places around the world where it's still the case such as Japan, Spain, and even going to the US; places like Texas and places where Pfizer is still delivering a pretty efficient share of voice model.

The ongoing model in the middle is where we are today in most places, where payers from employers to insurance companies and the US or government everywhere else are making most decisions and are driving prescription patterns. Yet on the right, some markets are emerging as even more complex as new stakeholders are gaining entrance.

For example in Germany, economic forces are driving coordination between the (inaudible) very large hospital as well as large medical groups. And it is very important for companies like ours to understand those relationships.

Other example from emerging markets like this are the UK and of Sweden in Europe or in the US; states like Minnesota, or California. As you can see from this graphic, integrated delivery system and a much larger number of stakeholders makes a much more complex environment and it's not just physician and payer anymore. It is a web of influencers driving decisions.

So this is the future whether you like it or not, and that is why at Pfizer we think it's absolutely critical to seize this moment. As it happens, we have anticipated a lot of these changes and we are in the process of putting in place the three-part strategy which is sizing, adapting and transforming and building.

So size means making sure that our cost structure is aligned with revenues. Adapt and transform, it's about the complexity of the new marketplace I just described and transform our capabilities in areas that are growing in importance.

And build for advancing our pipeline and delivering our pipeline, but also growing through business development to strengthen our future portfolio. So if we start with size, as a Company, we continue to expect to achieve our 2012 cost-reduction target of \$4 billion to \$5 billion.

Overall, we expect approximately 50% will be delivered this year, 75% next year and 100% at the end of 2012. Primary care is the major contributor to this effort. This includes using contract (inaudible) and appropriately sizing for Lipitor post LOE around the world.

It's also building a structure in the US and Europe that centralizes functions such as clinical development and marketing while allowing the sales organization the flexibility to respond quickly to market opportunities; and in the development space, looking for partnership like we have today with Jenson on Alzheimer's or with BMS in cardiovascular diseases to share the risk of developing medicines in these high-risk areas.



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The second part of the strategy, it is about adapting and transforming to market challenges. And as I demonstrated earlier, Pfizer anticipated these challenges.

So as the market changed and physician access became more and more restricted, we were one of the first industry movers to regionalize our US organization into regional business units in order to get closer to all those stakeholders and customers. Our model for instance has significantly improved our interactions with very large medical groups. We took this further in Europe with a model which has a central marketing platform and field structures that match market evolution in each country.

An example of how we transformed to deal with growing emphasis on outcomes includes now discussions we have regularly with (inaudible) and US payer about our Phase 3 clinical programs. With tightened prescribing guidelines and formularies, we've been building our market access capabilities including health economics and outcomes research and exploring new contracting approaches.

And finally to address the emergence of new customer groups and stakeholders, we created roles in Germany, France, the US or the UK that did not exist even three years ago. In this country, we have added for instance portfolio network managers.

Those managers know their brand. They have the knowledge of their products and indication, but it goes beyond. They understand how care is locally delivered and they are working with their customers to help them meet their goals.

A good example is the German network comprising of 300 physicians (inaudible) GPs where Pfizer was invited to help improve the outcome for pain patients. In the US, we are increasing our account management capabilities and expertise.

An interesting example of this is our employee account management team. When we initially bought Chantix to the market, smoking cessation did not exist as a health benefit with most insurers. Employers however understood the benefit of reduced smoking in the workplace and it became a very important driver of advancing the smoking cessation market.

And finally, part three which is building our future through advancing our pipeline and through business development. There are opportunities in primary care we believe in two different areas, wellbeing which is on the left where there is an increased willingness or increasing willingness to pay out of pocket.

And on the other side of the slide where you have chronic costly and difficult-to-manage conditions where an increasingly large portion of healthcare occurs, spending occurs without the expected improvement in outcomes. So the portfolio we have is focused on high-need disease areas such as Alzheimer's, pain and cardiovascular, metabolic conditions which are high-cost chronic areas requiring innovation in order to drive better outcomes. Women's health and pain are primary areas for business development in primary care.

So as an example as a chronic costly condition, pain is an area of great interest for many of our customers. It is one that is spread across therapeutic areas and is estimated to cost about \$75 billion in inefficiencies. We believe it's also an area where Pfizer has considerable strength thanks to Lyrica and Celebrex and the pending King acquisition will add to our portfolio.

King had a branded pharmaceutical portfolio of about \$1.2 billion in sales in 2009 and their portfolio includes as you know opioids and Flector Patch. The addition of the King pain field force will enhance the value of Lyrica and Celebrex in promotion to pain specialists and Flector Patch will add to our current Pfizer primary-care offerings.

We believe that this deployment has the potential to maximize the opportunity of all the products. So beyond Embeda already on the market, King has stated the intention to file Remoxy by the end of 2010. Remoxy's technology will offer new innovation to the market if approved.

Not referred to on this slide but worth mentioning, King's technologies are designed to discourage abuse and misuse of opioids which is a significant unmet medical need in the US. The nonmedical use of opioids is a growing and significant societal issue



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touching more than 10% of the US population, triggering 250,000 emergency room visits per year and 85,000 admissions per year to substance abuse centers. The total cost to society is actually estimated at \$15 billion annually. So discouraging abuse or misuse is viewed as a critical objective by the FDA.

Timing of the closing of the King transaction is estimated to be at the end of 2010 or first quarter 2011. Now I would like to briefly comment on two of our pipeline assets, Apixaban and Tanezumab.

So we believe our comprehensive clinical program for Eliquis which supports differentiation in this area of very significant need, Eliquis has the potential to be a clinical advance over the current standard of care in stroke prevention and treatment. We began the rolling submission for the atrial fibrillation indication based on the positive result from AVERROES where in the study, Eliquis was shown to reduce stroke risk by half versus aspirin without increase in major bleeding.

The results from ARISTOTLE, our second endpoint trial in the AF population comparing Eliquis to Warfarin are expected in early 2011. As you know, we submitted VTE prevention in the EU during the first quarter 2010 and our acute coronary syndrome results are expected in 2012.

Tanezumab has been an interesting program. We have seen consistent results in terms of efficacy and continue to pursue this new mechanism because of the significant unmet need in treating pain in the populations we are studying.

Today additional positive data from our Phase 3 osteoarthritis program are being presented at the American College of Rheumatology meeting. The study showed superior efficacy of Tanezumab over placebo in patients with OA of the hip.

Currently the osteoarthritis program for Tanezumab is on a clinical hold because of a small number of reported events of worsening of osteoarthritis leading to joint replacement. Additionally, chronic low back pain and diabetic peripheral neuropathy studies are also on clinical hold. We are in discussion with the FDA but are not of course at liberty to share more details at this time.

With the data we have in hands, we are committed to learning more about Tanezumab and we will work to provide a complete response to the FDA next year. So at this point, and in the next few minutes, you might ask and I'm going to try to answer the question of what is the impact of what I just talked about.

So 2020, let's start with the US. 2010 was about enabling our customer-focused model which was put in place last year to better compete and break the declining trends in TRx that we observed in some assets.

We have sized appropriately our investment for the mature brands like Lipitor or Premarin. There we are using contract resources to maximize flexibility. In fact this quarter, we are launching a specialized field force to focus on women's health.

For our mid-cycle medicines like Lyrica and Chantix, we are making targeted smart investments. For Lyrica US sales, we have an improving trend despite significant generic competition and a negative 2% growth for the first nine months of 2010. Within our indication business of fibromyalgia and DPN however, which represent about 44% of the overall sales, Lyrica/TRx are growing at 10%.

There is a large lifecycle plan to support Lyrica's future growth including a broader peripheral neuropathy pain clinical program. For Chantix, we expect to return to growth next year on the revised expense base that is in line with the potential for the brand.

Further, our local structure will help us link to potential healthcare reform incentives for healthcare systems to cover and treat smoking cessation. For the first nine months of 2010, growth was negative 17%.



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However, our third-quarter revenue is only at negative 1% versus previous years. And we are growing Pristiq, an asset from Wyeth. Since the acquisition, Pristiq has experienced steady growth with sequential growth during the last quarter of 4% versus Q2.

We are doing that by driving trial with psychiatrists and high potential PCPs. The growth has been fueled by new customer insight and focus on appropriate patient type such as low-energy patients.

Further we plan to file the new VMS data in Q4, an opportunity that if approved will be the first non-hormonal treatment for VMS. Very quickly, Japan is delivering in 2010 and is expecting to have double-digit growth in 2011.

We are launching several products in Japan. Lyrica which we launched in July received a neuropathic pain indication [a broad one].

In October we are launched Viviant (inaudible) which we just launched on October 2. We're partnering effectively with Eisai to maximize the growth for Lyrica and we also are very successful for Celebrex which we are partnering with Astellas in Japan thanks to the growth in the lower back pain indication.

And in Europe, as you know, you're very familiar with the headwinds (inaudible) fiscal policies coupled with intra-EU support for Greece at inflated government debt and policies to wind back government expenditure have been implemented in all EU5 nations. Of course pharmaceutical budgets are the targets due to the proportion of growth in sales and the non-elasticity of demand.

But I would like to highlight that despite this environment, we are performing above market. That's what you can see on this slide.

Our underlying business remains strong. Across all measures, our business in Europe is growing above market expectations. And on that slide, please note that for Spain, we excluded the impact of Lipitor LOE.

So while pricing pressure in Europe is not new, traditional pricing pressure have been in the low single digits. Now we expect mid-single-digit pressure will continue until 2012.

Overall growth is largely driven in Europe by Lyrica which posted plus 16% operational revenue growth for the third quarter and 21% at nine months in developed Europe. That's what I wanted to present today and I am ready to answer your questions. Thank you very much.

QUESTIONS AND ANSWERS

Catherine Arnold - Credit Suisse - Analyst

Just a direct question and then I'll take a question from the audience. What primary care pipeline opportunity is the greatest in your mind as you think about the Company longer term?

Olivier Brandicourt - Pfizer - President and Global Manager, Primary Care

Well, I just -- I mentioned Eliquis/apixaban. We have two assets -- I also mentioned the VMS indication for Pristiq.

We have Aprella following after that. And I think -- and you are aware that we have two Alzheimer's products in development in primary care.



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We also have early assets in diabetes. And I mentioned diabetes several times. We think it's definitely an area where we should be.

Catherine Arnold - Credit Suisse - Analyst

Questions from the audience? Olivier, with your integrated model, does that -- when you compare that to your shared voice model, does that offer a net resource reduction?

Olivier Brandicourt - Pfizer - President and Global Manager, Primary Care

Yes, it does. That's what we exactly -- we did. We resized our salesforce mainly in Europe and in the US before moving to that very centric customer model which again offers to be closer to customers while at the same time delivering savings.

Catherine Arnold - Credit Suisse - Analyst

Any questions from the audience? You mentioned Tanezumab, Olivier, and that is a product that I think that the financial markets have put off to the side.

You remained confident in Tanezumab. Could you talk a bit about that? I know you can't tell us what's happening exactly with the FDA, but clearly you included it in your presentation.

Olivier Brandicourt - Pfizer - President and Global Manager, Primary Care

Yes, I included it in the presentation because I think it was important to share those very positive results. Again, we are presenting the second study today at the ACR. I think it's this afternoon.

We had already reported the first study in knee patients with osteoarthritis of the knee which was also positive. That's the second positive study.

Coming just after that, we completed two studies against NSAID -- naproxen. We're not ready to report the results yet, but that is four studies out of the very large program we had in OA which included about 10 studies overall. So we are on clinical hold and that is where we are, but we thought it was important to report those results.

Catherine Arnold - Credit Suisse - Analyst

One question before we wrap it up from the back of the room.

Unidentified Audience Member

Thank you. You set out the challenges you had in terms of loss of exclusivities which you are having to manage.

One of the other unknowns is what's going to happen in the US market in terms of the recent political change and healthcare reform. So can you just let us know what your working assumption is in terms of wealth will the doughnut hole remain, will the excise tax remain? And do you think that budgetary pressures mean that we may get all the pain for the industry in terms of reductions and rebates but none of the benefits of the new lives covered coming on stream in the next couple of years?



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Olivier Brandicourt - Pfizer - President and Global Manager, Primary Care

Well maybe, Suzanne, you follow on that question. But our contribution is going definitely to be more important next year and in the coming years.

However, we feel confident that we can continue to grow some of the brands I mentioned. Overall, yes, an impact, however still room for growth in primary care in our portfolio.

Catherine Arnold - Credit Suisse - Analyst

Suzanne has offered to follow up on that question offline because we do need to wrap it up. Thanks, everyone. Thank you to Olivier and Suzanne for being with us today.

Olivier Brandicourt - Pfizer - President and Global Manager, Primary Care

Thank you.

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